

**Rating Action: Moody's assigns A1 to San Benito, TX's Series 2020 GOLT bonds and certificates**

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New York, September 22, 2020 -- Moody's Investors Service has assigned an A1 general obligation limited tax (GOLT) rating to the city of San Benito, TX's \$8.475 million General Obligation Refunding Bonds, Series 2020 and \$7.835 million Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020. At the same time Moody's maintains the city's A1 issuer rating and A1 on the city's outstanding limited tax debt.

**RATINGS RATIONALE**

The A1 issuer rating reflects the city's strong financial performance and healthy reserves and manageable pension burden. The rating further incorporates the moderately sized tax base with weak resident incomes, high poverty and an elevated debt burden.

The lack of rating distinction between the issuer and limited tax ratings reflects the substantial headroom the city has under the limited tax cap which offsets the city's inability to raise the tax rate above the cap and lack of full faith and credit pledge. The city has over 4 times headroom under the cap when considering maximum annual debt service on property tax secured debt.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. San Benito is not susceptible to immediate material credit risks related to coronavirus. Given present financial health, the city has sufficient flexibility to withstand any temporary fluctuations in budgetary performance. The longer term impact will depend on both the severity and duration of the crisis and the outlook for state funding over the long term remains unclear. The situation surrounding coronavirus is rapidly evolving. If our view of the credit quality of San Benito changes, we will update the rating and/or outlook at that time.

**RATING OUTLOOK**

Moody's does not generally assign outlooks to local government credits with this amount of debt outstanding.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Expansion of the tax base
- Decline in leverage
- Improvement in resident wealth and income levels

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- Trend of operating deficits resulting in reduced reserves
- Material increase in leverage
- Contraction of the tax base

**LEGAL SECURITY**

The bonds and certificates are secured by an ad valorem tax levied on all taxable property within the city within the limits prescribed by law. The certificates further benefit from a limited pledge of \$1,000 of the net revenues of the city's waterworks and sewer system.

**USE OF PROCEEDS**

Bond proceeds will be used to refund certain maturities of debt for debt service savings.

Proceeds of the certificates will be used for street and utility improvements.

## PROFILE

The city of San Benito is located in Cameron County near the US-Mexico border and is home to an estimated 2020 population of 24,385.

## METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in July 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1230443](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1230443). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

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